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Kroes Sees Handsome Returns On Kashtan Investment

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Kroes Energy reported excellent first quarter results on its forty five percent owned joint-venture project, Kashtan Petroleum Ltd, in the Ukraine. Kashtan recorded a net profit of \$335,000 on revenues of \$846,000, and cash flow of \$460,000. Kashtan's production consistently exceeded four hundred barrels per day of oil. While Kroes Energy's production projects outside the Ukraine rose only slightly to 52 bpd equivalent, the impact of lower energy prices resulted in a reduction in cash flow and earnings for the first quarter to \$15,328 and \$4,482 respectively.

Kroes Energy conditionally acquired Zhoda 2001 Corporation in January, 2002 that held the interest in Kashtan Petroleum Ltd. The State Oil Company (Ukranafta JSC) owns the remaining fifty five percent interest. The Ukraine boasts one of the strongest growths in GDP worldwide, with 2001 growth of over 9% and 2002 estimated to grow by five percent, according to the IMF.

"Once we have completed our financing, which is well in hand, we will close the purchase of the Ukraine project and in the second half Kashtan will complete four workovers, drill two development wells and start an exploratory well," reported Fred Callaway, CEO of Kroes. "We are excited with the upside opportunity of this project and anticipate substantial production increases for the last half of the year."

The Company is in the midst of raising between \$1.5 million and \$1.75 million by way of a unit offering at \$.25. Each unit consists of a common share and a full warrant to purchase an additional share at \$.30 over an 18-month period. Roche Securities Ltd. is the agent. The proceeds will be used to satisfy Zhoda's obligation to supplement Kashtan's cash flow with financing to accelerate the development program.

Kroes Energy is a junior, profitable oil and gas producer and explorer with an emphasis of developing assets in the Ukraine, eastern Europe's fastest growing economy. Kroes has a strong management team, with extensive international experience.

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